

DISCLAIMER

This electronic version of an SCC order is for informational purposes only and is not an official document of the Commission. An official copy may be obtained from the [Clerk of the Commission, Document Control Center](#).

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 9, 1998

APPLICATION OF

DELMARVA POWER & LIGHT COMPANY

CASE NO. PUE980324

For a decrease in its electric
fuel rate pursuant to § 56-249.6
of the Code of Virginia

ORDER ESTABLISHING 1998-99 FUEL FACTOR

On May 27, 1998, Delmarva Power & Light Company ("Delmarva" or "Company") filed an application, written testimony, and exhibits in support of a reduction in its currently operative fuel factor from 2.013¢/kWh to 1.841¢/kWh, and made a proposal for settlement of the net replacement power costs incurred as a result of the extended outages of the Salem nuclear units which began in 1995. The Company also proposed a distribution of the settlement proceeds from a lawsuit against the operator of the Salem units claiming mismanagement of the units. These issues had remained open for a number of fuel factor proceedings due to the ongoing nature of the extended outages.

By Order dated June 8, 1998, the Commission established a schedule for hearing and for the filing of testimonies and provided an opportunity for any interested person to participate in the hearing as a Protestant. The Commission ordered the

Company's proposed fuel factor to go into effect, on an interim basis, beginning with the billing month of July 1998, without proration. No notices of protest were received.

On August 20, 1998, Staff filed testimony wherein it recommended that a total fuel factor of 1.783¢/kWh be placed into effect with the billing month of October 1998, without proration. The Staff recommended acceptance of the Company's proposal to credit the Virginia deferred fuel account with \$675,161 in net replacement power costs relative to the 1995 outages, but recommended against the Company's proposal to net the external litigation expenses of \$4,433 against the \$110,606 in proceeds from the lawsuit settlement. In addition, the Staff recommended that the Company credit \$10,140 in net replacement power costs for a 58-day outage at Salem Unit 1 which occurred in 1994.

The Company accepted Staff's recommendations, and the Staff and Company stipulated all issues in this matter.

The hearing was held on September 3, 1998. At the hearing, it was noted that the time series procedures used by the Company to forecast short-term natural gas and oil prices had been examined, and the Company had provided Staff with the information it had previously requested regarding further explanations and justification of these procedures. Also, the

Company tendered its proof of service at the commencement of the hearing.

Upon consideration of the record in this case, the Commission is of the opinion that Staff's proposed fuel factor of 1.783¢/kWh be placed into effect with the billing month of October 1998, without proration. Approval of this factor, however, is not construed as approval of the Company's actual fuel expenses. For each calendar year, the Commission's Staff conducts an audit and investigation which addresses, among other things, the appropriateness and reasonableness of the Company's booked fuel expenses. Staff's results are documented in an Annual Report ("Staff's Annual Report"). A copy of Staff's Annual Report is sent to the Company and to each party who participated in the Company's last fuel factor proceeding, all of whom are provided with an opportunity to comment and request a hearing on the report.

Based on Staff's Annual Report, and any comments or hearing thereon, the Commission enters an Order entitled "Final Audit for Twelve-Month Period Ending December 31, 19__, Fuel Cost-Recovery Position," hereinafter referred to as "Final Audit Order." Notwithstanding any findings made by the Commission in an earlier order establishing the Company's fuel factor based on estimates of future expenses and unaudited booked expenses, the Final Audit Order will be the final determination of not only

what are in fact allowable fuel expenses and credits, but also the Company's over or underrecovery position as of the end of the audit period. Should the Commission find in its Final Audit Order (1) that any component of the Company's actual fuel expenses or credits has been inappropriately included or excluded, or (2) that the Company has failed to make every reasonable effort to minimize fuel costs or has made decisions resulting in unreasonable fuel costs, the Company's recovery position will be adjusted. This adjustment will be reflected in the recovery position at the time of the Company's next fuel factor proceeding. We reiterate that no finding in this order is final, as this matter is continued generally, pending Staff's audit of actual fuel expenses. Accordingly,

IT IS ORDERED THAT:

(1) A total fuel factor of 1.783¢/kWh to be placed into effect with the billing month of October 1998, without proration.

(2) The netting of the external litigation expenses against the settlement proceeds in the amount of \$4,433, derived from the Company's lawsuit against Public Service Electric and Gas in the matter of the extended Salem outages, is disallowed.

(3) A total of \$795,907 should be credited to the Virginia deferred fuel account, comprised of \$10,140 in net replacement power cost for the 58-day outage at Salem Unit 1 beginning on

April 7, 1994, \$675,161 in net replacement power costs and \$110,606 in lawsuit settlement proceeds for the extended outages at Salem Units 1 and 2, shut down on May 17 and June 7, 1995, respectively.

(4) Delmarva implement Staff's booking recommendations as outlined in Part B, pages 4-5 of Staff witness DeBruhl's prefiled testimony.

(5) This case shall be continued generally.